

## Message Text

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ORIGIN EA-09

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 COME-00 DOTE-00 EB-07 FMC-01

SAL-01 CG-00 DLOS-06 OES-06 TRSE-00 OMB-01 FEA-01

ERDA-05 FRB-03 /093 R

DRAFTED BY EA/IMS:DTKENNEY:LGR

APPROVED BY EA/ LESTER E. EDMOND

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO IMMEDIATE

INFO AMEMBASSY JAKARTA IMMEDIATE

AMEMBASSY LONDON PRIORITY

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E.O. 11652:

TAGS: ENRG, EFIN, JA, ID, US

SUBJECT: INDONESIA/JAPAN LNG TRANSPORTATION

REF: A) TOKYO 12573; B) MARAD WA-76-0586.

1. WE ARE SENDING YOU VIA EA WIRELESS FILE FULL TEXT OF  
FRONT PAGE NEW YORK TIMES ARTICLE BY TERRY ROBARDS "BURMAH  
OIL'S U.S. AID BID STUDIED FOR POSSIBLE FRAUD".

2. FOLLOWING IS TEXT OF STATEMENT ISSUED 19 AUGUST BY  
GENERAL DYNAMICS CHAIRMAN DAVID S. LEWIS REGARDING TODAY'S  
NYT STORY:

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QTE: GENERAL DYNAMICS CHAIRMAN DAVID S. LEWIS SAID TODAY

THAT THE COMPANY WAS QUITE SURPRISED AT THE CONTENT OF THE STORY ON LNG TANKERS WHICH APPEARED ON THE FRONT PAGE OF THE NEW YORK TIMES TODAY. THIS STORY IS A REHASH WITH SOME ELABORATION OF STORIES THAT WERE PUBLISHED SOME TIME AGO BY OTHER NEWSPAPERS. THE TIMES STORY IS FAR FROM COMPLETE AND TREATS A VERY COMPLEX BUSINESS TRANSACTION IN A VERY SUPERFICIAL MANNER. WHILE THE WRITER DID ASK OUR REPRESENTATIVE A FEW SPECIFIC QUESTIONS, AT NO TIME DID HE ATTEMPT TO LEARN THE WHOLE STORY, AT LEAST NOT FROM US.

OVER THE PAST SEVERAL MONTHS THERE HAVE BEEN SEVERAL SHIPPING ORGANIZATIONS, INCLUDING AT LEAST ONE AMERICAN COMPANY, MAKING STRENUOUS EFFORTS TO UPSET THE THREE YEAR OLD INDONESIA TO JAPAN LNG SHIPPING CONTRACTS UNDER WHICH FIVE OF THE GENERAL DYNAMICS BUILT SHIPS ARE SCHEDULED TO OPERATE. THESE COMPANIES HAVE SHIPS BUILT IN FOREIGN SHIPYARDS WHICH CANNOT BE PUT IN THE SERVICE FOR WHICH THEY WERE ORIGINALLY INTENDED BECAUSE OF MAJOR DELAYS IN THE CONSTRUCTION OF LIQUEFACTION PLANTS IN SEVERAL OTHER GAS HOLDING COMPANIES. THEY APPEAR TO BE UNDER DESPERATE PRESSURE FROM FINANCIAL AND OTHER SOURCES TO PUT THEIR EXPENSIVE VESSELS IN SERVICE TO COVER THEIR HEAVY OWNERSHIP COSTS. IT IS EASY TO CONCLUDE THAT THESE PEOPLE WERE THE SOURCES OF THE OLD MATERIAL USED BY THE TIMES TO DESCRIBE TANKER OWNERSHIP AND OPERATING ARRANGEMENTS THAT ARE NO LONGER UNDER CONSIDERATION BY THE PARTIES.

PERTAMINA, THE INDONESIAN NATIONAL PETROLEUM COMPANY, HAS REJECTED THE ALTERNATE PROPOSALS BECAUSE OF PERTAMINA'S BINDING CONTRACTS WITH BURMAH OIL.

AT THE PRESENT TIME, PERTAMINA AND THE JAPANESE UTILITIES, FOR WHOM THE GAS IS INTENDED, ARE NEGOTIATING REVISIONS TO THE TRANSPORTATION AGREEMENT WITH BURMAH OIL. WHEN THE AGREEMENT IS COMPLETED, THE FINAL DOCUMENTATION WILL BE SUBMITTED TO MARAD FOR ITS APPROVAL. WE ARE CONFIDENT THAT THE PRESENTLY PROPOSED ORGANIZATIONAL ARRANGEMENTS MEET ALL OF THE REQUIREMENTS OF THE U.S. LAW. WE BELIEVE THAT TITLE XI FINANCING FOR THE SHIPS SCHEDULED FOR THE INDONESIAN TO JAPAN RUN WILL BE APPROVED AND THE SHIPS LIMITED OFFICIAL USE

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WILL BE COMPLETED AND PUT IN SERVICE IN A TIMELY MANNER.

IT SHOULD BE RECOGNIZED THAT OF THE EIGHT SHIPS BEING BUILT AT THE QUINCY SHIPYARD, THE FIRST THREE, SCHEDULED TO BRING GAS FROM ALGERIA TO THE UNITED STATES, ALREADY HAVE FINANCING ARRANGEMENTS COMPLETED WITH TITLE XI GUARANTEES BY THE U.S. GOVERNMENT. ON THE OTHER FIVE SHIPS FOR PERTAMINA'S USE, COSTS INCURRED TO DATE HAVE

BEEN COVERED BY CONTRACTUAL PROGRESS PAYMENTS OF MORE  
THAN 138 MILLION DOLS.

WE CONTINUE TO BELIEVE THAT THE LNG SHIPBUILDING PROGRAM  
AT QUINCY IS A GOOD ONE, AND IS VITAL TO OUR NATIONAL  
INTERESTS. WE FURTHER BELIEVE THAT THIS PROGRAM WILL BE  
INCREASING IN MAGNITUDE IN THE YEARS AHEAD. END QUOTE.

3. MARAD INFORMS US THAT POSITION STATED IN REFTTEL B  
REMAINS VALID. ROBINSON

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